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Counsel for the First Lien Steering Committee

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEVADA
SOUTHERN DIVISION**

IN RE:

§ Case No. 09-14814-LBR
§ (Jointly Administered)

**THE RHODES COMPANIES, LLC,
aka "Rhodes Homes," et al.,**

Chapter 11

Debtors.¹

Hearing Date: June 26, 2009
Hearing Time: 1:30 p.m.

¹ The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number, if applicable, are: Heritage Land Company, LLC (2918); The Rhodes Companies, LLC (3060); Rhodes Ranch General Partnership (1760); Tick, LP (0707); Glynda, LP (5569); Chalkline, LP (0281); Batcave, LP (6837); Jackknife, LP (6189); Wallboard, LP (1467); Overflow, LP (9349); Rhodes Ranch Golf and Country Club (9730); Tuscany Acquisitions, LLC (0206); Tuscany Acquisitions II, LLC (8693); Tuscany Acquisitions III, LLC (9777); Tuscany Acquisitions IV, LLC (0509); Parcel 20 LLC (5534); Rhodes Design and Development Corp. (1963); C&J Holdings, Inc. (1315); Rhodes Realty, Inc. (0716); Jarupa LLC (4090); Elkhorn Investments, Inc. (6673); Rhodes Homes Arizona, LLC (7248); Rhodes Arizona Properties, LLC (8738); Tribes Holdings LLC (4347); Six Feathers Holdings, LLC (8451); Elkhorn Partners, A Nevada Limited Partnership (9654); Bravo Inc. (2642); Gung-Ho Concrete, LLC (6966); Geronimo Plumbing, LLC (6897); Apache Framing, LLC (6352); Tuscany Golf Country Club, LLC (7132); Pinnacle Grading, LLC (4838).

Affects:

- ☒ All Debtors
- ☐ Affects the following
Debtor(s)

**STATEMENT OF THE FIRST LIEN
STEERING COMMITTEE WITH
RESPECT TO DEBTORS'
EMERGENCY MOTION FOR AN
ORDER EXTENDING CASH
COLLATERAL TERMINATION DATE**

The First Lien Steering Committee (the "First Lien Steering Committee"), consisting of certain unaffiliated lenders under the Credit Agreement dated as of November 21, 2005 among Heritage Land Company, LLC, The Rhodes Companies, LLC, and Rhodes Ranch General Partnership, as the Borrowers, the Lenders Listed Therein as the Lenders, and Credit Suisse, Cayman Islands Branch, as Administrative Agent, Collateral Agent, Syndication Agent, Sole Bookrunner and Sole Lead Arranger, by and through its undersigned counsel, hereby files this statement (the "Statement") with respect to the Debtors' Emergency Motion for an Order Extending Cash Collateral Termination Date (the "Motion"). In support of this Statement, the First Lien Steering Committee respectfully represents as follows:

STATEMENT²

On June 16, 2009, the Debtors filed the Motion seeking to extend their use of the First Lien Lenders' cash collateral through October 2, 2009. Subsequent to the filing of the Motion, the First Lien Steering Committee agreed to a limited extension of the Debtors' use of cash collateral through July 17, 2009. The purpose of this Statement is to advise the Court and parties in interest of the First Lien Steering Committee's reason for agreeing to such a limited extension of the Cash Collateral Termination Date.

As the Court is aware, in the early days of these chapter 11 cases, the relationship between the Debtors and James Rhodes, on the one hand, and the Debtors' First Lien Lenders, on the

² Terms not otherwise defined herein shall have the meanings ascribed to such terms in the Motion.

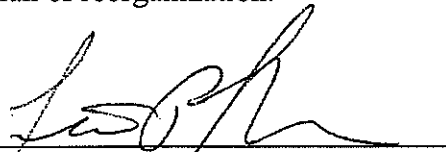
1 other, was extremely contentious. Despite a significant level of mistrust among the parties, the
2 Debtors, James Rhodes and the First Lien Lenders were able to reach agreement on terms for the
3 Debtors' use of cash collateral in order to provide the parties an opportunity to negotiate a
4 consensual restructuring for the Debtors. Unfortunately, despite prolonged negotiations, the
5 Debtors, James Rhodes and the First Lien Steering Committee have been unable to reach
6 agreement on the terms of a global resolution to the Debtors' chapter 11 cases. Indeed, the First
7 Lien Steering Committee no longer believes that a transaction acceptable to both the First Lien
8 Steering Committee and James Rhodes, in his individual capacity and on behalf of his non-Debtor
9 affiliates, can be achieved within a reasonable amount of time, if ever.

10
11 Notwithstanding the foregoing, the First Lien Steering Committee has agreed to a limited
12 extension of the Cash Collateral Termination Date in order to negotiate a more streamlined plan
13 of reorganization with the Debtors (but not James Rhodes individually or his non-Debtor
14 affiliates) and the official committee of unsecured creditors (the "Creditors' Committee") recently
15 appointed in the Debtors' chapter 11 cases. The First Lien Steering Committee is cognizant of the
16 Court's apprehension for "piece meal" cash collateral extensions, but believes it may be difficult
17 to negotiate a consensual plan with the Debtors in light of James Rhodes' multiple non-fiduciary
18 interests in the Debtors. Accordingly, while the First Lien Steering Committee is committed to
19 achieving the objective of a consensual restructuring with the Debtors and the Creditors'
20 Committee (and initial discussions on this new course of action of have been productive), the
21 First Lien Steering Committee is not willing to consent to a prolonged use of cash collateral
22 absent an agreement in principle on the terms for the Debtors' emergence from chapter 11. In that
23 regard, the First Lien Steering Committee is unlikely to consent to a further extension of the Cash
24 Collateral Termination Date beyond July 17, 2009 if the current restructuring negotiations prove
25 unsuccessful. Indeed, absent agreement with the Debtors and/or the Creditors' Committee on the
26 terms of a plan of reorganization or other restructuring transaction (and the process and timeline
27 for consummating any such transaction) prior to July 17, the First Lien Steering Committee
28

1 anticipates objecting to the Motion and the Debtors' pending requests to extend their exclusive
2 periods to file and solicit acceptances to a plan of reorganization.

3
4 Dated this 25th day of June 2009.

5 By:



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